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Near East and South Asia Review

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Supplement
19 July 1985

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	Libya almost certainly will continue to be a major customer for the Soviet arms industry over the next five years as Qadhafi increases the size and quality of his arsenal.		25X1
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Article

The Libyan-Soviet Arms Relationship: Looking Forward

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Libya almost certainly will continue to be a major customer for the Soviet arms industry over the next five years. Qadhafi seems determined to increase the size and quality of his arsenal, despite the fact that much of the materiel already delivered has not been absorbed by the Libyan military. We expect Tripoli's oil revenues to be adequate to support military purchases of up to \$1.4 billion per year as long as austerity is maintained in other budget areas. Of that sum, we expect approximately \$1 billion to be used for purchases from the USSR and its allies.

Qadhafi's Determination To Buy

We believe that military purchases remain a high priority for Qadhafi. He fears a US military threat to Libyan sovereignty and believes that large purchases of equipment will foster improvements in his defenses. We believe that Libyan naval exercises over the last few years have almost certainly been intended to protect Libyan shores from a carrier battle group. Qadhafi probably also believes that upgrading the Libyan Air Force—replacing MIG-23 Flogger-Es with more sophisticated Flogger-Gs, for example—will help to meet the threat from US F-14s.

Continuous acquisition of modern equipment also is a way for Qadhafi to maintain the loyalty of his military. Although signs of military unrest have been increasing over the last year, we believe that it would be markedly higher—and the military threat to the regime greater—if the armed forces had only outdated hardware.

Qadhafi almost certainly retains his dream that Libya will serve as the arsenal for the combined Arab armies in the next war with Israel. We believe that this motive was behind the acquisition in the 1970s of tanks, artillery, and other equipment in numbers far exceeding Libya's needs. The potential value of the

stockpile has been diminished, however, by poor maintenance and by aid to such Libyan friends as Iran and Ethiopia. We expect Qadhafi to try to keep up the stockpile, buying additional T-55s for example, although purchases will be well below the level of the late 1970s when oil revenues were substantially greater.

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We believe that Qadhafi considers the Libyan arsenal to be a useful foreign policy tool. The acquisition of modern weaponry enhances his image in the Third World. The perception that Libya has fighter aircraft as good as those in the United States, for example, probably impresses many Third World leaders and radical groups. The large size of Libya's arsenal also draws some, like Iran and Nicaragua, to Qadhafi's doorstep.

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Moscow To Remain Libya's Prime Supplier

We expect Tripoli to continue to turn to the USSR as its primary source of arms. Libya has been one of Moscow's most valued arms customers, purchasing over \$15 billion worth of military equipment since 1970. Moscow has sold Libya modern equipment, including some—like MIG-25s and SA-8 missiles—that at the time had not been exported outside the Warsaw Pact countries.

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In contrast, Libya has been frustrated in its efforts to obtain sophisticated weaponry from the West. In 1980, France suspended delivery, by several years, of newly built warships—for which Libya had already paid—when Libya first occupied Chad.

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US diplomatic pressure and export controls have made it

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difficult for Western military producers to sell Tripoli equipment that includes US components, such as Airbus civil transports. [redacted]

We expect deliveries in the next two years to include:

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- *MIG-29 Fighter and SU-25 Ground Attack Aircraft.* [redacted]

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[redacted] MIG-29

production and sales to higher priority clients like India and Syria probably would delay the receipt of this aircraft by the Libyans for at least a year or so. The MIG-29 is a more versatile fighter than the MIG-25s and MIG-23s now in Libya, and the SU-25 would considerably improve Libya's ground attack capabilities.

Libya's Financial Position

We believe that Tripoli has adequate revenues to support Qadhafi's arms procurement. Exports of 1 million barrels of oil per day generate \$10 billion annually in foreign exchange at current prices, even though the soft world oil market has caused Libya cash-flow problems and prompted cuts in domestic spending. We expect sustained austerity in domestic spending to increase popular disgruntlement with the regime. If this happens, Qadhafi may respond by redirecting some arms funds to this sector for a short time. He, however, is unlikely to cut deeply into the arms procurement program to which he attaches such a high priority. [redacted]

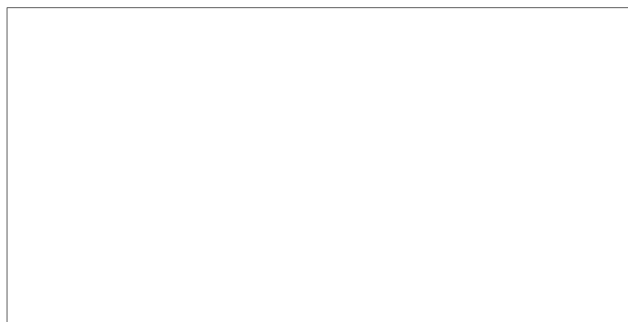


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- *SA-13 Surface-to-Air Missiles.* Libya probably will buy this mobile short-range missile, which this year has been exported to Syria, Jordan, Iraq, and Angola, instead of more of the older and less capable SA-9s.

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Libya's oil income continues to make Tripoli a good credit risk for Moscow and other arms brokers even though it often has to be badgered to pay its debts. Because full payment eventually is received, Libya is an attractive client in a marketplace where payment defaults are commonplace. [redacted]



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Outlook

[redacted] Qadhafi has been invited to Moscow to meet Soviet party chief Gorbachev in the next few months. The visit may clear the last obstacles to the signing of a large arms contract—the first since 1980—if it has not already been signed before Qadhafi leaves Tripoli. A recent statement by a Soviet diplomat in Moscow that the Kremlin believes the Libyan leader has matured in the past few years may indicate that a breakthrough on an umbrella arms contract and the signing of the long-delayed Friendship and Cooperation Treaty are imminent. If agreement is not reached on a comprehensive arms deal, we believe that several contracts covering individual weapon systems will be signed before the end of the year. [redacted]

- *Modern variants of equipment already in Libya.* Libya will continue purchases to gradually upgrade its arsenal, including replacement of T-62 tanks with T-72s, MIG-23 Flogger-Es with Flogger-Bs and Gs, and towed artillery with self-propelled artillery. [redacted]

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Implications for the United States

The delivery of new, more sophisticated Soviet weaponry inevitably increases the Libyan threat to

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the United States, despite Libyan deficiencies in equipment operations.

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We expect Egypt and Tunisia to increase their appeals for more and better US arms to counter new Libyan equipment purchases. Cairo, for example, almost certainly will respond to the arrival of MIG-29s in Libya with an urgent request for more F-16s. Less directly, Algerian arms purchases to keep pace with the Libyan threat will prompt further Moroccan pleas for US systems.

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Western arms producers—particularly French, Italian, and Brazilian firms—will urge their governments to resist US pressure not to sell to Libya.

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